



**Audit Recommendations  
Follow-Up Report  
For the Period December 4, 2009  
Through March 31, 2010**

**Project #10-15**

**Prepared by  
Office of Inspector General**


**John W. Williams, Esq., Inspector General  
J. Timothy Beirnes, CPA, Director of Auditing**



# SOUTH FLORIDA WATER MANAGEMENT DISTRICT

## Memorandum

**To:** Audit and Finance Committee Members:  
Mr. Charles J. Dauray, Chair  
Mr. Eric Buermann, Member  
Mr. Joe Collins, Member

**From:** John W. Williams, Esq., Inspector General  
Office of Inspector General 

**Date:** April 14, 2010

**Subject:** Audit Recommendations Follow-Up Report -  
For the Period December 4, 2009 Through March 31, 2010  
Project No. 10-15

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This audit was performed pursuant to the Inspector General's authority set forth in Section 20.055, F.S. Enclosed is the subject report that was conducted to assess the progress made in implementing audit recommendations.

In our efforts to continue to improve the audit process we utilize an audit recommendations tracking database as an integral part of monitoring the implementation status of audit recommendations. This database contains the basic audit information and recommendations. This system provides us with a vehicle to communicate and gather feedback on the status of the audit recommendations with the Governing Board, District management and the audited department/office.

Tim Beirnes, Director of Auditing, prepared this report. Should you have any questions concerning the enclosed report, please feel free to call me at (561) 682-6128.

C: Carol Wehle  
Tom Olliff

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## **EXECUTIVE SUMMARY**

Audit recommendations target the economy and efficiency of District operations and compliance with our policies and statutory responsibilities. Our recommendations also focus on providing District management with suggestions that facilitate their achievement of program goals and objectives. To be effective, audit recommendations must be implemented. Additionally, *Government Auditing Standards* require following up on audit recommendations in previously issued audit reports. Accordingly, the Inspector General's Office periodically surveys departments to determine the implementation status of recommendations and to encourage their completion. This information is maintained in the Inspector General's audit recommendation tracking database. The system allows each audit staff member to update the recommendation's "status" after reviewing information provided by the departments and offices.

This report on the implementation status of audit recommendations is for the period December 4, 2009 through March 31, 2010 (the "Reporting Period"). As shown in Exhibit 1, as of December 4, 2009 there were six (6) recommendations that were not yet fully implemented, consisting of three (3) that were In-Process and three (3) that were Partially Implemented. Since then, one (1) of these recommendations has been fully implemented. As of March 31, 2010, five (5) remain in various stages of implementation, consisting of three (3) that are In-Process and two (2) that are Partially Implemented.

During the Reporting Period, 2 recommendations were added from one (1) newly issued report and are still in the process of implementation, but progress in on schedule. In total from all reports, there are currently seven (7) recommendations that are In-Process of being implemented or have been Partially Implemented as of March 31,2010.

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There were no recommendations changed to the “No Longer Applicable” status during the current Reporting Period. The “No Longer Applicable” category includes items where conditions have changed subsequent to issuance of the audit report that rendered the recommendation no longer relevant, such as:

- Alternative compensating controls have been put in place.
- A decision was made to implement a new system that will address the issue making it impractical to retrofit the existing system.
- The policy, statute, or rule has changed.
- Change in strategic direction.

No recommendations fell into the “Not Implemented” category for the current and the previous report.

Following is a brief description of the attached exhibits:

- **Exhibit 1:** This Exhibit displays a summary of recommendation statuses for all audit reports with recommendations in process of implementation. Exhibit 1 also shows the changes in the status of recommendations from the beginning of the period to the end of the period.
- **Exhibit 2:** This Exhibit shows a summary of the changes in the status of recommendations by each audit report. Exhibit 2 shows only those audit reports that contained one or more recommendations that had not been fully implemented at the beginning of the reporting period.
- **Exhibit 3:** This exhibit displays detail information regarding the status of each audit recommendation. This includes the status of the recommendation for the prior reporting period and the status at the end of the current period. The comment column provides narrative information regarding implementation progress.
- **Exhibit 4:** This exhibit is a report printed directly from our Access database that contains additional information.

**EXHIBIT 1**  
**Summary of Recommendations Status**  
As of March 31, 2010

	In	Partially	
<b>Prior Period Reports</b>	<b>Process</b>	<b>Implemented</b>	<b>Total</b>
Status Beginning of Period	3	3	6
Implemented or Partially Implemented During Period	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Remaining Recommendations to be Fully Implemented	<u>3</u>	<u>2</u>	<u>5</u>
<b>Reports Issued During Current Period</b>			
New Recommendations*	2	-	2
Implemented or Partially Implemented	<u>-</u>	<u>-</u>	<u>-</u>
Remaining Recommendations to be Fully Implemented	<u>2</u>	<u>-</u>	<u>2</u>
<b>Current Status</b>			
<b>Remaining Recommendations to be Fully Implemented</b>	<u><u>5</u></u>	<u><u>2</u></u>	<u><u>7</u></u>

\* Initial Status is set as "In-Process"

**EXHIBIT 2**  
**Audit Reports With Implementation of Recommendations in Progress**  
**As of March 31, 2010**

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
<b>Recommendations - Prior Period Reports</b>								
06-19	Audit of the KRR Restoration Project In-Kind Credit Request Process	10	Prior Period Status	1	1	0	8	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	1	0	8	
07-36	Audit of the Information Technology Department	2	Prior Period Status	1	0	0	1	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	1	
08-09	Review of Internal Controls Over Fuel Inventory	5	Initial Status	0	1	0	4	Open
			Change in Status	0	0	0	0	
			Current Period Status	0	1	0	4	
08-12	Review of the GEPS Services Contracts	3	Prior Period Status	1	0	0	2	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	2	
08-23	Audit of the Procurement Card Program	6	Initial Status	0	1	0	5	Complete
			Change in Status	0	-1	0	1	
			Current Period Status	0	0	0	6	
<b>Recommendation - Report Issued During Current Period</b>								
09-02	Audit of Compliance with Lake Okeechobee Protection Act	2	Initial Status	2	0	0	0	Open
			Change in Status	0	0	0	0	
			Current Period Status	2	0	0	0	
<b>Recommendations - All Reports</b>								
<b>TOTAL</b>		28	Prior/Initial Status	5	3	0	20	
			Change in Status	0	-1	0	1	
			Status Current Period	5	2	0	21	
<b>Number of Recommendations Remaining to Be Fully Implemented</b>		<b>7</b>		<b>5</b>	<b>2</b>			

Prior Period = As of December 4, 2009

**EXHIBIT 3**  
**Detail of In-Process and Partially Implemented Audit Recommendations**  
As of March 31, 2010

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
06-19	5	Audit of the KRR Restoration Project In-Kind Credit Request Process	In Process	In Process	12/31/2007	9/30/2010	Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.	Each Critical Restoration Project is covered by a separate Project Cooperative Agreement, which outlines cost-sharing responsibilities for the project. Currently, there is no provision to balance the 50/50 cost-share across all of the projects. This sets up a situation where the USACE is required to request cash contributions for some projects and provide reimbursement for others. In the upcoming Water Resource Development Acts or Appropriation Bills, the District will attempt to get Congress to authorize the USACE to balance the 50/50 cost-share across all projects with the District. This would eliminate the need for cash contributions and reimbursements	Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process in now underway, completion will take an additional 6 months.
06-19	10	Audit of the KRR Restoration Project In-Kind Credit Request Process	Partially Implemented	Partially Implemented	12/31/2007	3/31/2010	Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)	Agree. Watershed Management now uses P3E project management software for the Kissimmee River Restoration Project and updates are made monthly to reflect budget expenditures.	Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process in now underway, completion will take an additional 6 months to answer questions and submit 2009 expenses.
07-36	1	Audit of the Information Technology Department	In Process	In Process	10/30/2009	Unable to Determine	Consider hiring full time employees for IT positions considered permanent and ongoing.	We agree that the addition of the 39 FTEs to cover core functions that are currently performed by contractors would result in a savings of approximately \$2.6 million dollars per year on an ongoing basis. We would prefer to have FTEs performing these core functions because we believe our staffing model would be more stable. We also recognize that there may be limitations to the number of FTEs that can be added at this time.	The IT Department agrees with this recommendation; however, the Executive Office is in discussion regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.



Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
08-09	2	Review of Internal Controls Over Fuel Inventory	Partially Implemented	Partially Implemented	9/30/2009	9/30/2010	Implement physical security measures that were identified by Emergency/Security Management.	Fencing repairs will be done in FY2010. New fences will be deferred to future years due to FY2010 budget constraints. For security systems, we will coordinate with Security Management to have them budget for these systems in future years.	The fencing and lighting repairs and/or new installation have been done with in all of the Field Stations that were identified by the Emergency Security Management. The exceptions are 5 sites that are in the Okeechobee area and this is because there is additional construction work that needs to be done and the fencing and lighting was added to the construction project. If we were to put up the fencing and lighting it would need to be removed and reinstalled due to the additional work being done at the sites. They will be budgeted for FY2011 and 2012.
08-12	3	Review of the GEPS Services Contracts (2008)	In Process	In Process	11/1/2010	Unable to Determine	Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing on-going activities, with employees.	Management concurs with this recommendation; however, the addition of Full Time Employees (FTEs) to the District's authorized staffing levels is being coordinated between the Executive Office and the Governor's Office.	Procurement agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
08-23	4	Audit of the Procurement Card Program	Partially Implemented	Implemented	3/30/2009	3/31/2010	Include procedures covering emergency cards in the User's Manual and the Article II Procurement Card Procedures.	Procurement concurs with this recommendation. Staff will add written emergency card usage procedures to the User's Manual. Written procedures will also be added to the Procurement Manual.	New procedure were developed to add the Emergency Procurement Card provisions; approved by Carol Wehle on 3/2/10 and provided to the IG's office on 3/25/10.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-02	1	Audit of compliance with Lake Okeechobee Protection Act	In Process	In Process	1/31/2011	1/31/2011	Carefully analyze the reasons why an updated Lake Okeechobee Protection Plan Evaluation Report for 2010 may not be necessary. If it is determined that a reevaluation is not necessary then request approval from the legislature not to submit the Lake Okeechobee Protection Plan Evaluation Report for 2010.	The amendments to the 2007 legislature created the Northern Everglades Protection Program which required an update to the Lake Okeechobee plan in 2008. Recognizing the report is due tri-annually, staff is working on the 2011 Update for the Northern Everglades and Estuaries Protection Plan.	On Schedule
09-02	2	Audit of compliance with Lake Okeechobee Protection Act	In Process	In Process	1/31/2011	1/31/2011	Alert senior management about the potential issues that could delay reducing the phosphorus load to 140 metric tons per year prior to the January 1, 2015 legislative mandate.	This action is in progress	On Schedule

## Exhibit 4

### Status of Recommendations Not Fully Implemented

Audit No.	Audit Name		
Recommendation	Current Status	Auditor's Comment	
<b>06-19</b>	<b>Audit of the KRR Restoration Project In-Kind Credit Request Process</b>		
<p><b># 5</b> Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.</p> <p>Original Due Date: 12/31/2007 Revised Due Date: 9/30/2010</p>	<p><b>In Process</b></p>	<p>Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process is now underway, completion will take an additional 6 months.</p> <p>Auditor Update: 3/31/2010</p>	
<p><b># 10</b> Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)</p> <p>Original Due Date: 12/31/2007 Revised Due Date: 9/30/2010</p>	<p><b>Partially Implemented</b></p>	<p>Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process is now underway, completion will take an additional 6 months to answer questions and submit 2009 expenses.</p> <p>Auditor Update: 3/31/2010</p>	
<b>07-36</b>	<b>Audit of the Information Technology Department</b>		
<p><b># 1</b> Consider hiring full time employees for IT positions considered permanent and ongoing.</p> <p>Original Due Date: 10/30/2009 Revised Due Date: 10/1/2010</p>	<p><b>In Process</b></p>	<p>The IT Department agrees with this recommendation; however, the Executive Office is in discussion regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.</p> <p>Auditor Update: 12/17/2009</p>	
<b>08-09</b>	<b>Review of Internal Controls Over Fuel Inventory</b>		
<p><b># 2</b> Implement physical security measures that were identified by Emergency/Security Management.</p>	<p><b>Partially Implemented</b></p>	<p>The fencing and lighting repairs and/or new installation have been done with in all of the Field Stations that were identified by the Emergency Security Management. The exceptions are 5 sites that are in the Okeechobee area and this is because there is additional construction work that needs to be done and the fencing and lighting was added to the construction project. If we were to put up the fencing and lighting it would need to be removed and reinstalled due to the additional work being done at the sites. They will be</p>	

<b>Audit No.</b>	<b>Audit Name</b>
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<b>Recommendation</b>	<b>Current Status</b>	<b>Auditor's Comment</b>
Original Due Date: 9/30/2009 Revised Due Date: 9/30/2011		budgeted for FY2011 and 2012. Auditor Update: 12/21/2009

<b>08-12</b>	<b>Review of the GEPS Services Contracts</b>
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<b># 3</b> Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing on-going activities, with employees.	<b>In Process</b>	Procurement agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
Original Due Date: 1/1/2010 Revised Due Date: 9/30/2010		Auditor Update: 12/17/2009

<b>09-02</b>	<b>Audit of Compliance with Lake Okeechobee Protection Act</b>
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<b># 1</b> Carefully analyze the reasons why an updated Lake Okeechobee Protection Plan Evaluation Report for 2010 may not be necessary. If it is determined that a reevaluation is not necessary then request approval from the legislature not to submit the Lake Okeechobee Protection Plan Evaluation Report for 2010.	<b>In Process</b>	On Schedule
Original Due Date: 1/31/2011 Revised Due Date: 1/31/2011		Auditor Update: 3/31/2010
<b># 2</b> Alert senior management about the potential issues that could delay reducing the phosphorus load to 140 metric tons per year prior to the January 1, 2015 legislative mandate.	<b>In Process</b>	On Schedule
Original Due Date: 1/31/2011 Revised Due Date: 1/31/2011		Auditor Update: 3/31/2010